

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 /077 W

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P R 281855Z JAN 75

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8342

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

LIMITED OFFICIAL USE BRIDGETOWN 0139

E.O. 11652: N/A

TAGS: ENRG EGEN BDIS BB

SUBJ: MOBIL/GOB FEUD OVER BARBADOS' CRUDE

REF: BTN 1501 AND SUBSEQUENT

1. MOBIL REFINERY'S REFUSAL TO PURCHASE LOCALLY PRODUCED CRUDE HAS ANGERED SOME HIGH GOB OFFICIALS AND DISPUTE, IF UNRESOLVED IN NEAR FUTURE, COULD CREATE NEW SOURCE OF FRICTION BETWEEN GOB AND US FIRM. MOBIL NOTIFIED GOB IN LATE DECEMBER THAT IT WOULD NOT PURCHASE LOCALLY PRODUCED CRUDE OIL AT US\$10.50 PER BARREL BUT WOULD INSTEAD CONTINUE TO MEET ALL REQUIREMENTS WITH SUPPLIES FROM VENEZUELA AT \$11.40 PER BARREL. MOBIL SAYS ITS REFUSAL IS BASICALLY A NEGOTIATING TACTIC AIMED AT GETTING A BETTER DEAL FROM GOB.

2. ACCORDING TO MOBIL, PRICE RISE EFFECTED LAST SUMMER DID HELP COVER SOME BUT NOT ALL OF ITS LOSSES. COMPANY CLAIMS TO BE LOSING US\$500,000 PER YEAR ON REFINERY OPERATION BUT, THANKS TO NEW ARRANGEMENTS WITH GOB, IS RECEIVING ABOUT
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\$300,000 ADDITIONAL FROM MARKETING OPERATIONS, MAKING A TOTAL

LOSS OF \$200,000 PER ANNUM FOR MOBIL OPERATIONS HERE. FIRM WOULD LIKE TO HAVE GOB MAKE ARRANGEMENTS TO CUT LOSSES FURTHER, IF POSSIBLE TO ZERO AND HOPES TO USE PURCHASE OF LOCAL CRUDE AS LEVER. GENERAL CRUDE HAS STORAGE FACILITIES FOR ONLY ABOUT 10 DAYS MORE PRODUCTION AFTER WHICH TIME IT WILL EITHER HAVE TO STOP PRODUCTION OR FIND SOME WAY TO DISPOSE OF SUPPLIES. (IN FACT, BARBADOS' MINISCULE PETROLEUM PRODUCTION-- ABOUT 700 BARRELS PER DAY -- WOULD MAKE IT IMPRACTICAL TO SHIP ANY CRUDE).

3. IN MEETING JANUARY 22 WITH TRADE MINISTER BRANFORD TAITT, MOBIL OFFICIALS STRESSED NEED TO CUT LOSSES FURTHER AND PROPOSED THAT MOBIL SEND OFFICIALS FROM NEW YORK TO DISCUSS MATTER. TAITT REPORTEDLY STATED THAT HE "DID NOT CARE WHO COMES HERE BECAUSE IF MOBIL DOESN'T BUY BARBADIAN CRUDE, HE WON'T SEE ME".

4. COMMENT: WE ARE IN SYMPATHY WITH MOBIL'S DESIRE TO CUT LOSSES AS MUCH AS POSSIBLE. TACTIC OF REFUSING LOCAL CRUDE, HOWEVER, STRIKES US AS BEING LIKELY TO PLACE MOBIL IN VERY STICKY PUBLIC POSITION AS BEING BAD CORPORATE CITIZEN. BARBADIANS ARE NOT LIKELY TO UNDERSTAND WHY MOBIL CANNOT PURCHASE ACCEPTABLE LOCAL CRUDE AT CHEAPER PRICE THAN THAT FROM VENEZUELA. GIVEN HIGH PUBLIC SENSITIVITY THESE DAYS ABOUT PETROLEUM MATTERS AND LARGE POSSIBILITY THAT PRESENT TACTIC COULD BACKFIRE, COMPANY MAY BE BETTER OFF SEPARATING LOCAL CRUDE ISSUE FROM LARGER QUESTION OF PROFITABILITY OF COMPANY'S OVERALL OPERATIONS HERE. WE HAVE EXPRESSED THIS VIEW TO MANAGER HERE, BUT APPARENTLY PRESENT TACTICS ARE LAID DOWN BY NEW YORK OFFICE (V.P. HENRY LUCK). CURRENT TACTICS ARE NOT GOING TO IMPROVE FEELINGS FOR REFINERY WITHIN GOB, ALREADY BRUISED BY LAST YEAR'S PRICE CONFRONTATION.

5. ACTION REQUESTED: DEPARTMENT MAY WISH TO PASS EMBASSY'S VIEWS ON TO MOBIL IF LATTER APPROACHES USG FOR ASSISTANCE OR ADVICE RE PRESENT DIFFICULTIES.
SIMMS

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